

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

Lehman Brothers Holdings Inc., et al.,
Debtors.

Chapter 11 Case No.
08-13555

MONTHLY OPERATING REPORT

SEPTEMBER 2010
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
SCHEDULE OF HEDGING TRANSACTIONS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.
c/o WILLIAM J. FOX
1271 AVENUE OF THE AMERICAS
35th FLOOR
NEW YORK, NY 10020

DEBTORS' ATTORNEYS: WEIL, GOTSHAL & MANGES LLP
c/o SHAI WAISMAN
767 FIFTH AVENUE
NEW YORK, NY 10153

REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., A DEBTOR IN POSSESSION (IN THE SOUTHERN DISTRICT OF NEW YORK)

THIS OPERATING STATEMENT MUST BE SIGNED BY A REPRESENTATIVE OF THE DEBTOR

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

Lehman Brothers Holdings Inc.

Date: October 18, 2010

By: /s/ William J. Fox
William J. Fox
Executive Vice President

Indicate if this is an amended statement by checking here: AMENDED STATEMENT ☐

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SCHEDULE OF DEBTORS

The following entities have filed for bankruptcy in the Southern District of New York:

| | <u>Case No.</u> | <u>Date Filed</u> |
|---|-----------------|-------------------|
| <u>Lead Debtor:</u> | | |
| Lehman Brothers Holdings Inc. ("LBHI")..... | 08-13555 | 9/15/2008 |
| <u>Related Debtors:</u> | | |
| LB 745 LLC..... | 08-13600 | 9/16/2008 |
| PAMI Statler Arms LLC(1)..... | 08-13664 | 9/23/2008 |
| Lehman Brothers Commodity Services Inc. ("LBCS") | 08-13885 | 10/3/2008 |
| Lehman Brothers Special Financing Inc. ("LBSF") | 08-13888 | 10/3/2008 |
| Lehman Brothers OTC Derivatives Inc. ("LOTC")..... | 08-13893 | 10/3/2008 |
| Lehman Brothers Derivative Products Inc. ("LBDP")..... | 08-13899 | 10/5/2008 |
| Lehman Commercial Paper Inc. ("LCPI")..... | 08-13900 | 10/5/2008 |
| Lehman Brothers Commercial Corporation ("LBCC") | 08-13901 | 10/5/2008 |
| Lehman Brothers Financial Products Inc. ("LBFP") | 08-13902 | 10/5/2008 |
| Lehman Scottish Finance L.P. | 08-13904 | 10/5/2008 |
| CES Aviation LLC..... | 08-13905 | 10/5/2008 |
| CES Aviation V LLC..... | 08-13906 | 10/5/2008 |
| CES Aviation IX LLC | 08-13907 | 10/5/2008 |
| East Dover Limited | 08-13908 | 10/5/2008 |
| Luxembourg Residential Properties Loan Finance S.a.r.l..... | 09-10108 | 1/7/2009 |
| BNC Mortgage LLC | 09-10137 | 1/9/2009 |
| LB Rose Ranch LLC..... | 09-10560 | 2/9/2009 |
| Structured Asset Securities Corporation | 09-10558 | 2/9/2009 |
| LB 2080 Kalakaua Owners LLC | 09-12516 | 4/23/2009 |
| Merit LLC | 09-17331 | 12/14/2009 |
| LB Somerset LLC..... | 09-17503 | 12/22/2009 |
| LB Preferred Somerset LLC | 09-17505 | 12/22/2009 |

- (1) On May 26, 2009, a motion was filed on behalf of Lehman Brothers Holdings Inc. seeking entry of an order pursuant to Section 1112(b) of the Bankruptcy Code to dismiss the Chapter 11 Case of PAMI Statler Arms LLC, with a hearing to be held on June 24, 2009. On June 19, 2009, the motion was adjourned without a date for a continuation hearing.

The Chapter 11 case of Fundo de Investimento Multimercado Credito Privado Navigator Investimento No Exterior (Case No: 08-13903) has been dismissed.

The Chapter 11 case of Lehman Brothers Finance SA (Case No: 08-13887) has been dismissed.

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI") AND OTHER DEBTORS AND OTHER
CONTROLLED ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
SEPTEMBER 1, 2010 TO SEPTEMBER 30, 2010**

The information and data included in this Monthly Operating Report ("MOR") are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly or indirectly controlled by LBHI, including LAMCO LLC ("LAMCO"), and excludes, among other things, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act. LBHI and certain of its Controlled Entities have filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. The Debtors have prepared this MOR, as required by the Office of the United States Trustee, based on the information available to the Debtors at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This MOR is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Debtors reserve all rights to revise this report.

1. This MOR is not prepared in accordance with U.S. generally accepted accounting principles (GAAP). This MOR should be read in conjunction with the financial statements and accompanying notes in the Company's reports that were filed with the United States Securities and Exchange Commission.
2. This MOR is not audited and will not be subject to audit or review by the Company's external auditors at any time in the future.
3. The beginning and ending balances include cash in demand-deposit accounts (DDA), money-market funds (MMF), treasury bills, and other investments.
4. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
5. Beginning and ending cash balances exclude cash that has been posted as collateral for hedging activity.
6. Beginning and ending cash balances exclude cash related to LBHI's wholly-owned indirect subsidiaries Aurora Bank FSB (formerly known as Lehman Brothers Bank FSB), Woodlands Commercial Bank (formerly known as Lehman Brothers Commercial Bank), LBTC Transfer Inc. (formerly known as Lehman Brothers Trust Company N.A.), and Lehman Brothers Trust Company of Delaware.
7. Cash pledged on, or prior to, September 15, 2008 by the Company in connection with certain documents executed by the Company and various financial institutions has been excluded from this report.
8. Intercompany transfers between Lehman entities are listed as disbursements for the paying entity and receipts for the receiving entity.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities

Schedule of Cash Receipts and Disbursements (a)

September 1, 2010 - September 30, 2010

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

| | | Debtor Entities | | | | | | | | | Other Controlled Entities (b) | | | | | Total Debtors and Other Controlled Entities | | |
|--|--|-----------------|----------|----------|----------|--------|----------|--------|--------|--------|-------------------------------|-----------|---------|--------|-------|---|----------|-----------|
| | | LBHI | LBSF | LBCS | LOTG | LCPI | LBCC | LBFP | LBDP | Other | Total | LAMCO | LB1 Grp | PAMI | Other | Total | | |
| Beginning Cash & Investments (9/1/10) | | (c), (d) | \$ 2,369 | \$ 7,371 | \$ 1,613 | \$ 235 | \$ 3,522 | \$ 495 | \$ 417 | \$ 387 | \$ 12 | \$ 16,419 | \$ 81 | \$ 817 | \$ 43 | \$ 2,455 | \$ 3,396 | \$ 19,816 |
| Sources of Cash: | | | | | | | | | | | | | | | | | | |
| Corporate | | | | | | | | | | | | | | | | | | |
| Repayment of Advances Made to Aurora | | (e) | 118 | — | — | — | — | — | — | — | — | 118 | — | — | — | — | — | 118 |
| Compensation and Benefits Reimbursements | | (f) | 1 | — | — | — | — | — | — | — | — | 1 | — | — | — | — | — | 1 |
| Other Receipts | | (g) | 85 | 3 | 1 | — | 5 | 1 | — | — | — | 94 | — | 2 | — | 1 | 2 | 97 |
| Derivatives | | (h) | — | 133 | 3 | — | 1 | 10 | 1 | — | — | 148 | — | — | — | — | — | 148 |
| Loans | | (i) | 52 | — | — | — | 129 | — | — | — | — | 180 | — | — | — | — | — | 180 |
| Private Equity / Principal Investing | | (j) | 259 | — | — | — | 2 | — | — | — | — | 262 | — | 10 | — | 7 | 17 | 279 |
| Real Estate | | (k) | 23 | — | — | — | 6 | — | — | — | — | 29 | — | — | — | 2 | 2 | 31 |
| Asia | | | — | — | — | — | — | — | — | — | — | — | — | — | — | 38 | 38 | 38 |
| South America | | | — | — | — | — | — | — | — | — | — | — | — | — | — | 5 | 5 | 5 |
| Inter-Company Transfers | | (l) | 1 | — | — | — | 121 | — | — | — | — | 122 | — | — | 1 | 16 | 17 | 139 |
| Total Sources of Cash | | | 538 | 136 | 4 | — | 264 | 11 | 1 | — | — | 954 | — | 12 | 1 | 68 | 82 | 1,035 |
| Uses of Cash: | | | | | | | | | | | | | | | | | | |
| Corporate | | | | | | | | | | | | | | | | | | |
| Advances to Aurora | | (e) | (118) | — | — | — | — | — | — | — | — | (118) | — | — | — | — | — | (118) |
| Compensation and Benefits | | (m) | (17) | — | — | — | — | — | — | — | — | (17) | (7) | — | — | (1) | (8) | (25) |
| Professional Fees | | (n) | (46) | — | — | — | — | — | — | — | — | (46) | — | — | — | — | — | (46) |
| Other Operating Expenses | | (o) | (9) | — | — | — | — | — | — | — | — | (9) | (7) | — | — | (1) | (8) | (17) |
| Other Non-Operating Expenses | | (p) | (51) | — | — | — | — | — | — | — | — | (51) | — | — | — | — | — | (51) |
| Derivatives, Principally Hedging | | (q) | (1) | (43) | — | — | — | — | — | — | — | (44) | — | — | — | — | — | (44) |
| Loans | | (r) | — | — | — | — | (100) | — | — | — | — | (100) | — | — | — | — | — | (100) |
| Private Equity / Principal Investing | | (s) | — | — | — | — | — | — | — | — | — | — | — | (5) | — | — | (5) | (5) |
| Real Estate | | (t) | (36) | — | — | — | (3) | — | — | — | — | (39) | — | — | — | — | — | (39) |
| Asia | | | — | — | — | — | — | — | — | — | — | — | — | — | — | (6) | (6) | (6) |
| South America | | | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Inter-Company Transfers | | (l) | (121) | — | — | — | — | — | — | — | — | (121) | — | (1) | — | (17) | (18) | (139) |
| Total Uses of Cash | | | (399) | (43) | — | — | (103) | — | — | — | — | (545) | (13) | (6) | — | (25) | (45) | (590) |
| Net Cash Flow | | | 140 | 93 | 4 | — | 161 | 11 | 1 | — | — | 409 | (13) | 6 | 1 | 43 | 37 | 446 |
| FX Fluctuation | | (u) | 1 | 1 | 1 | — | 3 | — | — | — | — | 5 | — | — | — | 11 | 11 | 17 |
| Ending Cash & Investments (9/30/10) | | | | | | | | | | | | | | | | | | |
| | | (v) | \$ 2,509 | \$ 7,465 | \$ 1,617 | \$ 235 | \$ 3,685 | \$ 506 | \$ 417 | \$ 387 | \$ 12 | \$ 16,833 | \$ 68 | \$ 823 | \$ 44 | \$ 2,509 | \$ 3,444 | \$ 20,278 |

Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities

Schedule of Cash Receipts and Disbursements (a)

September 1, 2010 - September 30, 2010

Notes

- (a) Includes cash receipts and disbursements for all Debtor Entities and Other Controlled Entities, globally. Activity in Corporate, Derivatives, Loans, Private Equity / Principal Investing and Real Estate reflects bank accounts that are managed and reconciled by Lehman's U.S. and European operations. Activity in Asia and South America reflects bank accounts that are managed and reconciled by Lehman's Asian and South American operations.
- (b) Other Controlled Entities include Non-Debtor entities which are under the control of LBHI, except for Aurora Bank, Woodlands Commercial Bank, LBTC Transfer Inc. (f/k/a Lehman Brothers Trust Company N.A.), and Lehman Brothers Trust Company of Delaware, which are not reflected in this schedule.
- (c) Beginning Cash and Investments was increased by \$11 million for LBHI and \$3 million for Other Controlled Entities from Ending Cash and Investments in the August 2010 Schedule of Cash Receipts and Disbursements, in order to include bank account balances not previously reflected.
- (d) Beginning Cash and Investment balances include approximately \$3.5 billion in co-mingled and segregated accounts associated with pledged assets, court ordered segregated accounts, funds administratively held by banks, and other identified funds which may not belong to the Debtors or Other Controlled Entities. Beginning Cash and Investment balances exclude approximately \$653 million of cash posted for hedging activity, prior to the recognition of any gains or losses.
- (e) Reflects repayment of advances made to Aurora Bank for the court approved repo facility.
- (f) Reflects repayment of payroll and benefits disbursements made on behalf of Woodlands Commercial Bank.
- (g) Primarily reflects the redemption of \$41 million from an ABS portfolio, \$38 million received for claims held by LBHI against entities under the control of other administrators, and \$14 million of interest income.
- (h) Primarily reflects settlements from counterparties and the return of \$60 million of collateral posted for hedging.
- (i) Primarily reflects principal and interest payments from borrowers, of which a portion has been distributed to syndicated loan participants (see footnote r).
- (j) Primarily reflects \$256 million of proceeds from the disposition of a portion of the assets in the Kingfisher Capital CLO Limited secured structure.
- (k) Primarily reflects principal and interest payments received from real estate investments.
- (l) Primarily reflects the transfer of \$121 million to satisfy outstanding intercompany payables from LBHI to LCPI.
- (m) Compensation and Benefits includes fees paid to Alvarez & Marsal as interim management. A portion of the \$17 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (n) A portion of the \$46 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (o) Primarily reflects expenses related to occupancy, Transition Services Agreement, taxes, insurance, and infrastructure costs. A portion of the \$9 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (p) Primarily reflects disbursements of \$24 million for the court-approved disposition of the REMIC structure, \$22 million of collateral posted to hedge an ABS portfolio, and \$3 million for the return of funds received in error.
- (q) Primarily reflects \$28 million of collateral posted for hedging and payments on live trades.
- (r) Primarily reflects principal and interest distributed to syndicated loan participants where Lehman acts as agent.
- (s) Primarily reflects capital calls on investments.
- (t) Primarily reflects payments made for the preservation of assets of Real Estate positions.
- (u) Reflects fluctuation in value in foreign currency bank accounts.
- (v) Ending Cash and Investment balances include approximately \$3.8 billion in co-mingled and segregated accounts. These amounts are preliminary and estimated as follows: Debtors - LCPI \$2.3 billion, LBHI \$834 million, LBSF \$614 million, LBCS \$42 million, LBCC \$5 million, Lehman Scottish Finance \$2 million; and Non-Debtors \$77 million, and are subject to adjustment. Ending Cash and Investment balances exclude approximately \$628 million of cash posted as collateral for hedging activity, prior to the recognition of any gains or losses, broken down as follows: LBSF \$573 million, LBFP \$27 million, LBHI \$18 million, LBCC \$9 million, and LBCS \$1 million.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities

Schedule of Cash Receipts and Disbursements (a)

July 1, 2010 - September 30, 2010

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

| | | Debtor Entities | | | | | | | | | Other Controlled Entities (b) | | | | | Total Debtors and Other Controlled Entities | |
|---|--|-----------------|--------------|-------------|------------|----------------|------------|------------|----------|----------|-------------------------------|-------------|-------------|-------------|--------------|---|----------------|
| | | LBHI | LBSF | LBCS | LOTC | LCPI | LBCC | LBFP | LBDP | Other | Total | LAMCO | LB1 Grp | PAMI | Other | Total | |
| Beginning Cash & Investments | | | | | | | | | | | | | | | | | |
| (7/1/10)..... (c), (d) | | \$ 2,086 | \$ 7,355 | \$ 1,531 | \$ 239 | \$ 3,327 | \$ 466 | \$ 424 | \$ 387 | \$ 11 | \$15,826 | \$ 55 | \$ 661 | \$ 51 | \$ 2,342 | \$ 3,109 | \$ 18,935 |
| Sources of Cash: | | | | | | | | | | | | | | | | | |
| Corporate | | | | | | | | | | | | | | | | | |
| LAMCO Management Fees..... (e) | | — | — | — | — | — | — | — | — | — | — | 40 | — | — | — | 40 | 40 |
| Repayment of Advances Made to Aurora..... (f) | | 174 | — | — | — | — | — | — | — | — | 174 | — | — | — | — | — | 174 |
| Compensation and Benefits Reimbursements..... (g) | | 7 | — | — | — | — | — | — | — | — | 7 | — | — | — | — | — | 7 |
| Asset Sales (h) | | 2 | — | — | — | 8 | — | — | — | — | 11 | — | — | — | — | — | 11 |
| Other Receipts..... (i) | | 99 | 12 | 2 | — | 7 | 1 | — | — | 1 | 122 | 1 | 2 | — | 8 | 11 | 132 |
| Derivatives..... (j) | | 3 | 508 | 98 | 1 | 1 | 42 | 2 | — | — | 655 | — | — | — | 23 | 23 | 678 |
| Loans (k), (l) | | 54 | — | — | — | 1,058 | — | — | — | — | 1,112 | — | 2 | — | — | 2 | 1,113 |
| Private Equity / Principal Investing.....(k), (m) | | 429 | — | — | — | 31 | — | — | — | — | 460 | — | 192 | 1 | 8 | 200 | 660 |
| Real Estate..... (n) | | 73 | — | — | — | 138 | — | — | — | — | 211 | — | — | — | 5 | 5 | 216 |
| Asia..... (o) | | — | — | — | — | — | — | — | — | — | — | — | — | — | 356 | 356 | 356 |
| South America | | — | — | — | — | — | — | — | — | — | — | — | — | — | 13 | 13 | 13 |
| Inter-Company Transfers (p) | | 264 | — | 5 | — | 132 | — | — | — | — | 400 | — | 2 | 21 | 24 | 46 | 447 |
| Total Sources of Cash | | 1,105 | 520 | 104 | 1 | 1,376 | 43 | 2 | — | 1 | 3,151 | 41 | 198 | 21 | 436 | 695 | 3,846 |
| Uses of Cash: | | | | | | | | | | | | | | | | | |
| Corporate | | | | | | | | | | | | | | | | | |
| LAMCO Management Fees..... (e) | | (40) | — | — | — | — | — | — | — | — | (40) | — | — | — | — | — | (40) |
| Advances to Aurora..... (f) | | (118) | — | — | — | — | — | — | — | — | (118) | — | — | — | — | — | (118) |
| Compensation and Benefits (q) | | (57) | — | — | — | — | — | — | — | — | (57) | (18) | — | — | (3) | (20) | (77) |
| Professional Fees..... (r) | | (112) | — | — | — | — | — | — | — | — | (112) | — | — | — | — | — | (112) |
| Other Operating Expenses..... (s) | | (25) | — | — | — | — | — | — | — | — | (25) | (9) | — | — | (2) | (11) | (37) |
| Other Non-Operating Expenses | | (89) | — | — | — | — | — | — | — | — | (89) | (1) | — | — | — | (1) | (90) |
| Derivatives, Principally Hedging (u) | | (2) | (251) | — | — | — | — | (8) | — | — | (260) | — | — | — | — | — | (260) |
| Loans (v) | | (1) | — | — | — | (712) | — | — | — | — | (713) | — | — | — | — | — | (713) |
| Private Equity / Principal Investing..... (w) | | (5) | — | — | — | — | — | — | — | — | (5) | — | (24) | — | — | (24) | (29) |
| Real Estate..... (x) | | (71) | — | — | — | (263) | — | — | — | — | (334) | — | — | (25) | — | (25) | (359) |
| Asia..... (o) | | — | — | — | — | — | — | — | — | — | — | — | — | — | (247) | (247) | (247) |
| South America | | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Inter-Company Transfers (p) | | (163) | (162) | (18) | (5) | (45) | (3) | (1) | — | — | (397) | — | (11) | (3) | (35) | (50) | (446) |
| Total Uses of Cash..... | | (681) | (413) | (18) | (5) | (1,021) | (3) | (9) | — | — | (2,149) | (28) | (35) | (28) | (287) | (379) | (2,527) |
| Net Cash Flow | | 423 | 107 | 86 | (4) | 355 | 40 | (7) | — | 1 | 1,002 | 13 | 163 | (7) | 148 | 317 | 1,319 |
| FX Fluctuation (y) | | — | 3 | — | — | 3 | — | — | — | — | 6 | — | — | — | 18 | 18 | 24 |
| Ending Cash & Investments | | | | | | | | | | | | | | | | | |
| (9/30/10) (z) | | \$ 2,509 | \$ 7,465 | \$ 1,617 | \$ 235 | \$ 3,685 | \$ 506 | \$ 417 | \$ 387 | \$ 12 | \$16,833 | \$ 68 | \$ 823 | \$ 44 | \$ 2,509 | \$ 3,444 | \$ 20,278 |

Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Schedule of Cash Receipts and Disbursements (a)
July 1, 2010 - September 30, 2010
Notes

- (a) Includes cash receipts and disbursements for all Debtor Entities and Other Controlled Entities, globally. Activity in Corporate, Derivatives, Loans, Private Equity / Principal Investing and Real Estate reflects bank accounts that are managed and reconciled by Lehman's U.S. and European operations. Activity in Asia and South America reflects bank accounts that are managed and reconciled by Lehman's Asian and South American operations.
- (b) Other Controlled Entities include Non-Debtor entities which are under the control of LBHI, except for Aurora Bank, Woodlands Commercial Bank, LBTC Transfer Inc. (f/k/a Lehman Brothers Trust Company N.A.), and Lehman Brothers Trust Company of Delaware, which are not reflected in this schedule.
- (c) Beginning Cash and Investments was increased by \$11 million for LBHI and \$3 million for Other Controlled Entities from Beginning Cash and Investments in the July 2010 Schedule of Cash Receipts and Disbursements, in order to include bank account balances not previously reflected.
- (d) Beginning Cash and Investment balances include approximately \$3.6 billion in co-mingled and segregated accounts associated with pledged assets, court ordered segregated accounts, funds administratively held by banks, and other identified funds which may not belong to the Debtors or Other Controlled Entities. Beginning Cash and Investment balances exclude approximately \$600 million of cash posted for hedging activity, prior to the recognition of any gains or losses.
- (e) Reflects Q3 2010 LAMCO management fees.
- (f) Reflects repayment of advances made to Aurora Bank for the court-approved advance receivable and repo facilities.
- (g) Reflects repayment of payroll and benefits disbursements made on behalf of LAMCO LLC and Woodlands Commercial Bank.
- (h) Reflects \$9 million from the sale of aircraft and \$2 million from the sale of artwork.
- (i) Primarily reflects the redemption of \$41 million from an ABS portfolio, \$38 million received for claims held by LBHI against entities under the control of other administrators, \$31 million of interest income, \$8 million from the redemption of cash in an escrow account for the restricted stock program, and \$4 million from the transfer of cash from accounts not controlled by the Company.
- (j) Primarily reflects settlements from counterparties and the return of \$200 million of collateral posted for hedging.
- (k) LBHI loan receipts were reduced by \$122 million from the August 2010 Schedule of Cash Receipts and Disbursements and re-classified as LBHI Private Equity / Principal Investing receipts.
- (l) Primarily reflects principal and interest payments from borrowers, of which a portion has been distributed to syndicated loan participants (see footnote v).
- (m) Primarily reflects \$378 million of proceeds from the disposition of a portion of the assets in the Kingfisher Capital CLO Limited secured structure. LBHI, the structure's custodian, will hold proceeds from asset dispositions for the benefit of LCPI, the structure's noteholder, and will maintain an intercompany payable from LBHI to LCPI.
- (n) Primarily reflects principal and interest received on real estate investments.
- (o) Primarily reflects \$239 million of proceeds from the disposition of a portion of the assets in the Kingfisher Capital CLO Limited secured structure. \$232 million of the proceeds were transferred to the structure's trustee and subsequently distributed to LBHI as custodian.
- (p) Primarily reflects \$255 million transferred to LBHI from various Lehman legal entities for Q1 2010 cost allocations, true-ups from prior periods, and \$121 million transferred from LBHI to LCPI to satisfy outstanding intercompany payables.
- (q) Compensation and Benefits includes fees paid to Alvarez & Marsal as interim management. A portion of the \$57 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (r) A portion of the \$112 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities

Schedule of Cash Receipts and Disbursements (a)

July 1, 2010 - September 30, 2010

Notes

- (s) Primarily reflects expenses related to occupancy, Transition Services Agreement, taxes, insurance, and infrastructure costs. A portion of the \$25 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (t) Primarily reflects disbursements of \$40 million for the return of funds received in error, \$24 million for the court-approved disposition of the REMIC structure, and \$22 million of collateral posted to hedge an ABS portfolio.
- (u) Primarily reflects \$240 million of collateral posted for hedging.
- (v) Primarily reflects principal and interest distributed to syndicated loan participants where Lehman acts as agent.
- (w) Primarily reflects capital calls on investments.
- (x) Primarily reflects payments made for the preservation of assets of Real Estate positions.
- (y) Reflects fluctuation in value in foreign currency bank accounts.
- (z) Ending Cash and Investment balances include approximately \$3.8 billion in co-mingled and segregated accounts. These amounts are preliminary and estimated as follows: Debtors - LCPI \$2.3 billion, LBHI \$834 million, LBSF \$614 million, LBCS \$42 million, LBCC \$5 million, Lehman Scottish Finance \$2 million; and Non-Debtors - \$77 million, and are subject to adjustment. Ending Cash and Investment balances exclude approximately \$628 million of cash posted as collateral for hedging activity, prior to the recognition of any gains or losses, broken down as follows: LBSF \$573 million, LBFP \$27 million, LBHI \$18 million, LBCC \$9 million, and LBCS \$1 million.

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI") AND OTHER DEBTORS AND OTHER
CONTROLLED ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
DATED FROM FILING DATE TO SEPTEMBER 30, 2010**

The information and data included in this Monthly Operating Report ("MOR") are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly or indirectly controlled by LBHI, including LAMCO LLC ("LAMCO"), and excludes, among other things, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act. LBHI and certain of its Controlled Entities have filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. The Debtors have prepared this MOR, as required by the Office of the United States Trustee, based on the information available to the Debtors at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This MOR is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Debtors reserve all rights to revise this report.

1. This MOR is not prepared in accordance with U.S. generally accepted accounting principles (GAAP). This MOR should be read in conjunction with the financial statements and accompanying notes in the Company's reports that were filed with the United States Securities and Exchange Commission.
2. This MOR is not audited and will not be subject to audit or review by the Company's external auditors at any time in the future.
3. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Debtors have incurred additional professional fee expenses during the reporting period that will be reflected in future MORs, as cash payments are made to providers.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors
Schedule of Professional Fee and Expense Disbursements (a)
September 2010
Unaudited (\$ in thousands)

| | | September-2010 | Filing Date Through September-2010 (b) |
|--|---|------------------|---|
| Debtors - Section 363 Professionals | | | |
| Alvarez & Marsal LLC..... | Interim Management | \$ 13,967 | \$ 356,396 |
| Kelly Matthew Wright..... | Art Consultant and Auctioneer | — | 77 |
| Natixis Capital Markets Inc. | Derivatives Consultant | — | 9,310 |
| Debtors - Section 327 Professionals | | | |
| Bingham McCutchen LLP..... | Special Counsel - Tax | 1,031 | 14,749 |
| Bortstein Legal LLC..... | Special Counsel - IT and Other Vendor Contracts | 122 | 3,540 |
| Curtis, Mallet-Prevost, Colt & Mosle LLP | Special Counsel - Conflicts | 1,344 | 20,931 |
| Dechert LLP..... | Special Counsel - Real Estate | 270 | 442 |
| Discover Ready LLC..... | eDiscovery Services | — | 8,413 |
| Ernst & Young LLP..... | Audit and Tax Services | 31 | 1,551 |
| Gibson Dunn & Crutcher LLP..... | Special Counsel - Real Estate | 194 | 576 |
| Hudson Global Resources..... | Contract Attorneys | 314 | 5,599 |
| Huron Consulting..... | Tax Services | — | 2,145 |
| Jones Day..... | Special Counsel - Asia and Domestic Litigation | 3,129 | 38,318 |
| Kasowitz, Benson, Torres & Friedman..... | Special Counsel - Litigation | — | 322 |
| Latham & Watkins LLP..... | Special Counsel - Real Estate | 58 | 223 |
| Lazard Freres & Co. | Investment Banking Advisor | 1,200 | 24,258 |
| McKenna Long & Aldridge LLP..... | Special Counsel - Commercial Real Estate Lending | 83 | 4,462 |
| O'Neil Group..... | Tax Services | 244 | 892 |
| Pachulski Stang Ziehl & Jones..... | Special Counsel - Real Estate | 119 | 1,499 |
| Pricewaterhouse Coopers LLP..... | Tax Services | — | 659 |
| Reilly Pozner LLP..... | Special Counsel - Mortgage Litigation and Claims | 432 | 3,970 |
| Simpson Thacher & Bartlett LLP..... | Special Counsel - SEC Reporting, Asset Sales, and Congressional Testimony | 80 | 2,511 |
| Sutherland LLP..... | Special Counsel - Tax | 89 | 89(c) |
| Weil Gotshal & Manges LLP..... | Lead Counsel | 16,181 | 237,038 |
| Windels Marx Lane & Mittendorf, LLP..... | Special Counsel - Real Estate | 160 | 2,007 |
| Debtors - Claims and Noticing Agent | | | |
| Epiq Bankruptcy Solutions LLC..... | Claims Management and Noticing Agent | — | 8,282 |
| Creditors - Section 327 Professionals | | | |
| FTI Consulting Inc. | Financial Advisor | 1,804 | 40,035 |
| Houlihan Lokey Howard & Zukin Capital Inc. | Investment Banking Advisor | 631 | 9,279 |
| Milbank Tweed Hadley & McCloy LLP..... | Lead Counsel | 1,911 | 71,183 |
| Quinn Emanuel Urquhart Oliver & Hedges LLP..... | Special Counsel - Conflicts | 256 | 11,150 |
| Richard Sheldon, Q.C..... | Special Counsel - UK | 6 | 111 |
| Examiner - Section 327 Professionals | | | |
| Duff & Phelps LLC..... | Financial Advisor | 3,004 | 42,447 |
| Jenner & Block LLP..... | Examiner | 3,114 | 57,809 |
| Fee Examiner | | | |
| Feinberg Rozen LLP..... | Fee Examiner | — | 1,904 |
| Brown Greer Plc..... | Fee and Expense Analyst | 61 | 295 |
| Total Non-Ordinary Course Professionals..... | | 49,835 | 982,472 |
| Debtors - Ordinary Course Professionals..... | | 1,984 | 29,766(c) |
| US Trustee Quarterly Fees..... | | — | 877 |
| Total Professional Fees and UST Fees (d)..... | | \$ 51,819 | \$ 1,013,116 |

- (a) All professional fees have been paid by LBHI; however, a portion has been charged back to debtor and non-debtor subsidiaries based on the direct costs associated with each entity and an allocation methodology.
- (b) The figures reflected in this table represent cash disbursements from LBHI's filing date through the end of September 2010. The figures do not include accruals.
- (c) Filing Date Through September-2010 balance for Sutherland LLP has been decreased by \$127 thousand and reclassified to Debtors - Ordinary Course Professionals (OCPs).
- (d) Excludes professional services rendered on behalf of non-debtor entities which are invoiced separately.

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI") AND OTHER DEBTORS AND OTHER
CONTROLLED ENTITIES**

**BASIS OF PRESENTATION
QUARTERLY HEDGING TRANSACTIONS UPDATE
AS OF SEPTEMBER 30, 2010**

The information and data included in this report are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among other things, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act. LBHI and certain of its Controlled Entities have filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

On March 11, 2009, the United States Bankruptcy Court for the Southern District of New York overseeing the Debtors' Chapter 11 cases (the "Court") entered an "Order Pursuant to Sections 105 and 364 of the Bankruptcy Code Authorizing the Debtors to Grant First Priority Liens in Cash Collateral Posted in Connection With the Hedging Transactions the Debtors Enter Into Through Certain Futures and Prime Brokerage Accounts" [Docket No. 3047] (the "Derivatives Hedging Order").

On July 16, 2009, the Court entered a separate "Order Pursuant to Sections 105 and 364 of the Bankruptcy Code Authorizing the Debtors to Grant First Priority Liens in Collateral Posted in Connection With the Hedging Transactions" [Docket No. 4423] (the "Residential Loan Order").

Terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Derivatives Hedging Order or the Residential Loan Order, as the case may be.

The Debtors have prepared this Quarterly Hedging Transactions Update, as required by the Derivatives Hedging Order, based on the information available to the Debtors at this time, but note that such information is partially based on market pricing which is subject to day-to-day fluctuations. The Debtors reserve all rights to revise this report.

Derivatives Hedging Order. Between the entry of the Derivatives Hedging Order and September 30, 2010 (the "Report Date"), the Debtors have proposed 13 Hedging Transactions to the Hedging Transactions Committee. As of the Report Date, the Debtors had executed all 13 Hedging Transactions and the current value of collateral posted approximates \$437.1 million. The Open Derivative Positions correspond to 48 non-terminated derivative contracts with an estimated recovery value as of the Report Date equal to approximately \$809 million. The expected recovery amounts are determined using various models, data sources, and certain assumptions regarding contract provisions. The Company expects to adjust the amounts recorded for the Open Derivatives Positions in the future; such adjustments (including write-downs and write-offs) may be material. For further description regarding derivative recovery values, please refer to the March 2010 Supplemental Monthly Operating Report filed on August 13, 2010.

As of the Report Date, the Hedging Transactions were allocated to the individual Debtors as set forth on the following page.

Residential Loan Order. Between the entry of the Residential Loan Order and the Report Date, there were no Residential Hedging Transactions.

Lehman Brothers Holdings Inc.
As of September 30, 2010
Quarterly Hedging Report
Derivative Hedging Order

| Debtor | Current Value of Collateral Posted for Hedging Transactions (a) | Estimated Recovery Value of Receivables Being Hedged |
|---|---|--|
| Lehman Brothers Special Financing Inc. ("LBSF") | \$ 422,273,355 | \$ 709,575,351 |
| Lehman Brothers Commercial Corp. ("LBCC") | 8,294,345 | 76,206,676 |
| Lehman Brothers Financial Products Inc. ("LBFP") | 6,545,039 | 23,377,033 |
| Total | <u>\$ 437,112,738</u> | <u>\$ 809,159,061</u> |

(a) Value of collateral represents cash collateral posted, net of any gains or losses on hedging transactions.

Asset Backed-Securities Hedging Order

Separately, on January 14, 2010, the Court entered an "Order Granting LBHI's Motion for Authorization, Pursuant to Sections 105, 363 and 364 of the Bankruptcy Code, To Sell Certain Asset Backed-Securities and Related Relief", which authorized the Company to enter into hedging transactions to hedge against the loss of value from fluctuations in foreign exchange rates, as set out below.

| Debtor | Current Value of Collateral Posted for Hedging Transactions (a) | Estimated Recovery Value of Receivables Being Hedged |
|---|---|--|
| Lehman Brothers Holdings Inc. ("LBHI")..... | \$ 18,001,569 | \$ 102,984,700 |
| Total | <u>\$ 18,001,569</u> | <u>\$ 102,984,700</u> |